

## Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 EA-09 IO-10 ISO-00 TRSE-00 COME-00 PA-02

PRS-01 USIE-00 SS-15 SP-02 NSC-05 NSCE-00 INT-05

TAR-01 OMB-01 SSO-00 L-03 H-02 FRB-01 /077 R

DRAFTED BY EB/OT/STA:MCJONES:MH

APPROVED BY EB/OT/STA:BBISHOP

TREAS:RSELF

EUR/RPE:RBRESLER

EUR/NE:NACHILLES/KSHIRLEY (INFO)

EUR/CE:KKURZE (INFO)

EB/ISM:BMILLER (INFO)

EUR/WE:EJBEIGEL (INFO)

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O 201845Z OCT 75

FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

AMEMBASSY BRUSSELS IMMEDIATE

AMEMBASSY LUXEMBOURG IMMEDIATE

AMEMBASSY ROME IMMEDIATE

AMEMBASSY BONN IMMEDIATE

AMEMBASSY THE HAGUE IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

INFO USMISSION GENEVA IMMEDIATE

USDEL MTN GENEVA IMMEDIATE

USMISSION OECD PARIS IMMEDIATE

AMEMBASSY DUBLIN IMMEDIATE

AMEMBASSY COPENHAGEN IMMEDIATE

AMEMBASSY TOKYO IMMEDIATE

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E.O. 11652: N/A

TAGS: ETRD, EC

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SUBJECT:COUNTERVAILING DUTY PETITIONS -- EC STEEL

REF: STATE 223116, EC BRUSSELS 8436

1. FOLLOWING IS TEXT OF TREASURY PRESS RELEASE ON REJECTION OF U.S. STEEL COUNTERVAILING DUTY PETITIONS ON EC STEEL WHICH POSTS SHOULD BRING TO ATTENTION OF HOST GOVERNMENTS. BEGIN TEXT. TREASURY ANNOUNCES REJECTION OF PETITIONS IN STEEL COUNTERVAILING DUTY CASES.

ASSISTANT SECRETARY OF THE TREASURY DAVID R. MACDONALD ANNOUNCED TODAY THAT THE TREASURY HAS DECIDED NOT TO INITIATE AN INVESTIGATION INTO THE ALLEGED SUBSIDIZATION OF STEEL EXPORTS BY SEVEN EUROPEAN COUNTRIES. THE UNITED STATES STEEL CORPORATION ON SEPTEMBER 18, 1975, PETITIONED FOR THE ASSESSMENT OF COUNTERVAILING DUTIES ON IMPORTS INTO THE U.S. OF STEEL PRODUCTS FROM THE UNITED KINGDOM, THE FEDERAL REPUBLIC OF GERMANY, FRANCE, BELGIUM, THE NETHERLANDS, LUXEMBOURG, AND ITALY. THE PETITION CHARGED THAT DIRECT AND INDIRECT BOUNTIES OR GRANTS ARE BEING BESTOWED ON THE MANUFACTURE, PRODUCTION AND EXPORT OF STEEL PRODUCTS BY REASON OF THE OPERATION OF THE VALUE-ADDED TAX SYSTEMS OF THESE COUNTRIES.

MR. MACDONALD SAID THAT THE ACTION HE WAS ANNOUNCING MEANS THAT THE DEPARTMENT HAS CONCLUDED THAT THE INFORMATION AND ALLEGATIONS CONTAINED IN THE U.S. STEEL PETITIONS DO NOT ON THEIR FACE DESCRIBE A BOUNTY OR GRANT AND ARE THEREFORE INSUFFICIENT TO WARRANT INITIATION OF FORMAL INVESTIGATIONS. TREASURY HAS CONSISTENTLY OVER THE YEARS HELD THAT REBATES OR REMISSIONS OF INDIRECT TAXES, DIRECTLY BORNE BY EXPORTED PRODUCTS ARE NOT BOUNTIES OR GRANTS WITHIN THE MEANING OF THE COUNTERVAILING DUTY LAW. VALUE-ADDED TAXES ARE, IN THE TREASURY VIEW, SUCH INDIRECT TAXES.

STEEL IMPORTS FROM THESE COUNTRIES IN 1974 WERE APPROXIMATELY 2 BILLION DOLLARS. END TEXT.

2. FYI. TREASURY ASSISTANT SECRETARY MACDONALD HELD A BRIEFING IN CONJUNCTION WITH THE PRESS RELEASE. HE SAID THAT TREASURY HAD NOT FOUND BOUNTY OR GRANT AND IS UNCLASSIFIED

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TINUING TO MAKE A DISTINCTION BETWEEN DIRECT AND INDIRECT TAXES, WITH REBATES OF LATTER NOT BEING CONSIDERED SUBSIDIES. HE CONTINUED, HOWEVER, THAT THERE WAS SOME SYMPATHY FOR THE ARGUMENT ADVANCED BY U.S. STEEL THAT THE DISTINCTION WAS NOT ECONOMICALLY VALID AND SUGGESTED THAT THIS MATTER BE DISCUSSED IN THE MTN. HE CONFIRMED THAT U.S. STEEL AND THE EC WERE INFORMED PRIVATELY OF DECISION LATE LAST WEEK. FINALLY, MACDONALD SAID THAT U.S. STEEL

COULD TAKE CASE TO CUSTOMS COURT BUT THAT IT WAS NOT YET KNOWN IF THE COMPANY WOULD CHOOSE TO DO SO. END FYI.

3. FOLLOWING IS TEXT OF LETTER THAT ASSISTANT SECRETARY MACDONALD IS SENDING TO U.S. STEEL, WHICH MADE PUBLIC AT PRESS CONFERENCE.

BEGIN TEXT. DEAR MR. HEATWOLE: ON SEPTEMBER 18, 1975, YOU SUBMITTED, ON BEHALF OF THE UNITED STATES STEEL CORPORATION, PETITIONS UNDER THE COUNTERVAILING DUTY LAW (SECTION 303 OF THE TARIFF ACT OF 1930, AS AMENDED; 19 U.S.C. 1303), ALLEGING THAT VARIOUS STEEL PRODUCTS IMPORTED FROM BELGIUM, FRANCE, ITALY, LUXEMBOURG, THE NETHERLANDS, THE UNITED KINGDOM, AND WEST GERMANY, BENEFIT FROM BOUNTIES OR GRANTS BY VIRTUE OF THE OPERATION OF THE VALUE-ADDED TAX SYSTEM IN THOSE COUNTRIES.

YOUR PETITIONS HAVE BEEN FULLY REVIEWED. AFTER CAREFUL CONSIDERATION, THE DEPARTMENT HAS CONCLUDED THAT THE INFORMATION AND ALLEGATIONS CONTAINED IN THESE PETITIONS DO NOT ON THEIR FACE DESCRIBE A BOUNTY OR GRANT AND ARE THEREFORE INSUFFICIENT TO WARRANT INITIATION OF FORMAL INVESTIGATIONS.

SPECIFICALLY, TREASURY, FOR MANY YEARS, HAS TREATED THE REBATE OR REMISSION OF INDIRECT TAXES, DIRECTLY RELATED TO THE EXPORTED PRODUCT OR ITS COMPONENTS, AS NOT BEING BOUNTIES OR GRANTS WITHIN THE MEANING OF THE COUNTERVAILING DUTY LAW. SINCE VALUE-ADDED TAXES ARE VIEWED BY THE DEPARTMENT AS BEING INDIRECT TAXES DIRECTLY RELATED TO THE PRODUCTS UPON WHICH THEY ARE IMPOSED, THE REBATE OR REMISSION OF SUCH TAXES UPON EXPORTATION DOES NOT CONSTITUTE A BOUNTY OR GRANT. FURTHER, AND IN RESPONSE TO OTHER ALLEGATIONS IN YOUR PETITIONS, THE DEPARTMENT

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DOES NOT VIEW THE ASSESSMENT OF THE VALUE-ADDED TAX ON STEEL PRODUCTS IMPORTED INTO THE SEVEN COUNTRIES IN QUESTION AS GIVING RISE, DIRECTLY OR INDIRECTLY, TO BOUNTIES OR GRANTS UPON THE EXPORTATION OF STEEL PRODUCTS FROM THOSE COUNTRIES. WITH REGARD TO THE QUESTION OF BENEFITS DERIVED FROM QUOTE CASH FLOW END QUOTE ADVANTAGES, GIVEN THE POSITION OF THE TREASURY THAT THE REBATE OR REMISSION OF VALUE-ADDED TAXES DOES NOT GIVE RISE TO BOUNTIES OR GRANTS, NEITHER DOES THE DEPARTMENT VIEW MECHANICAL DIFFERENCES IN THE METHODS BY WHICH VALUE-ADDED TAXES ARE COLLECTED AND REFUNDED AS CREATING BOUNTIES OR GRANTS WITHIN THE MEANING OF THE LAW UNLESS SUCH MECHANISMS RESULT IN AN OVER REBATE OF THESE TAXES.

I AND MY STAFF WILL BE PLEASED TO ANSWER ANY QUESTIONS

YOU MAY HAVE CONCERNING THIS MATTER. END TEXT.

4. POSTS WILL BE INFORMED OF ANY FURTHER DEVELOPMENTS.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** EXPORTS, STEEL, COUNTERVAILING DUTIES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 20 OCT 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
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**Drafter:** MCJONES:MH  
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**Errors:** N/A  
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**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 STATE 223116, 75 EC BRUSSELS 8436  
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**Review Authority:** buchant0  
**Review Comment:** n/a  
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**Review Date:** 14 OCT 2003  
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**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
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**Status:** NATIVE  
**Subject:** COUNTERVAILING DUTY PETITIONS -- EC STEEL  
**TAGS:** ETRD, EEC  
**To:** EC BRUSSELS MULTIPLE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006